

Lifelong Learning Accounts

A New Way to Pay for Adult Learning

Kentucky Adult Learner Initiative

September 4, 2008



What is CAEL?

- CAEL is the Council for Addult and Experiential Learning
- A 501(c)3 non-profit, international organization with 33+ years of experience
- Headquartered in Chicago, IL with offices in Philadelphia, PA; Denver, CO; New York, NY; and Norwalk, CT
- A national workforce intermediary dedicated to removing barriers to adult learning

Our Challenge

- ▷ In the U.S., more than 59 million people, or 30 percent of the adult population, are untouched by postsecondary education.
- ▷ In 35 states, more than 60 percent of the population does not have an associate's degree or higher.
- ▷ Over 26 million adults in the U.S. currently have no high school diploma, more than 32 million have not attended college and are earning less than a living wage, and over 8 million have not attended college and speak little or no English.
- ▷ 32 states cannot catch up to the educational attainment levels of the best performing countries internationally by relying solely on strategies related to traditional-age students

CAEL in partnership with NCHEMS, *Focus on Adult Learning*, 2008.
http://www.cael.org/pdf/StateIndicators_Executive_Summary.pdf.

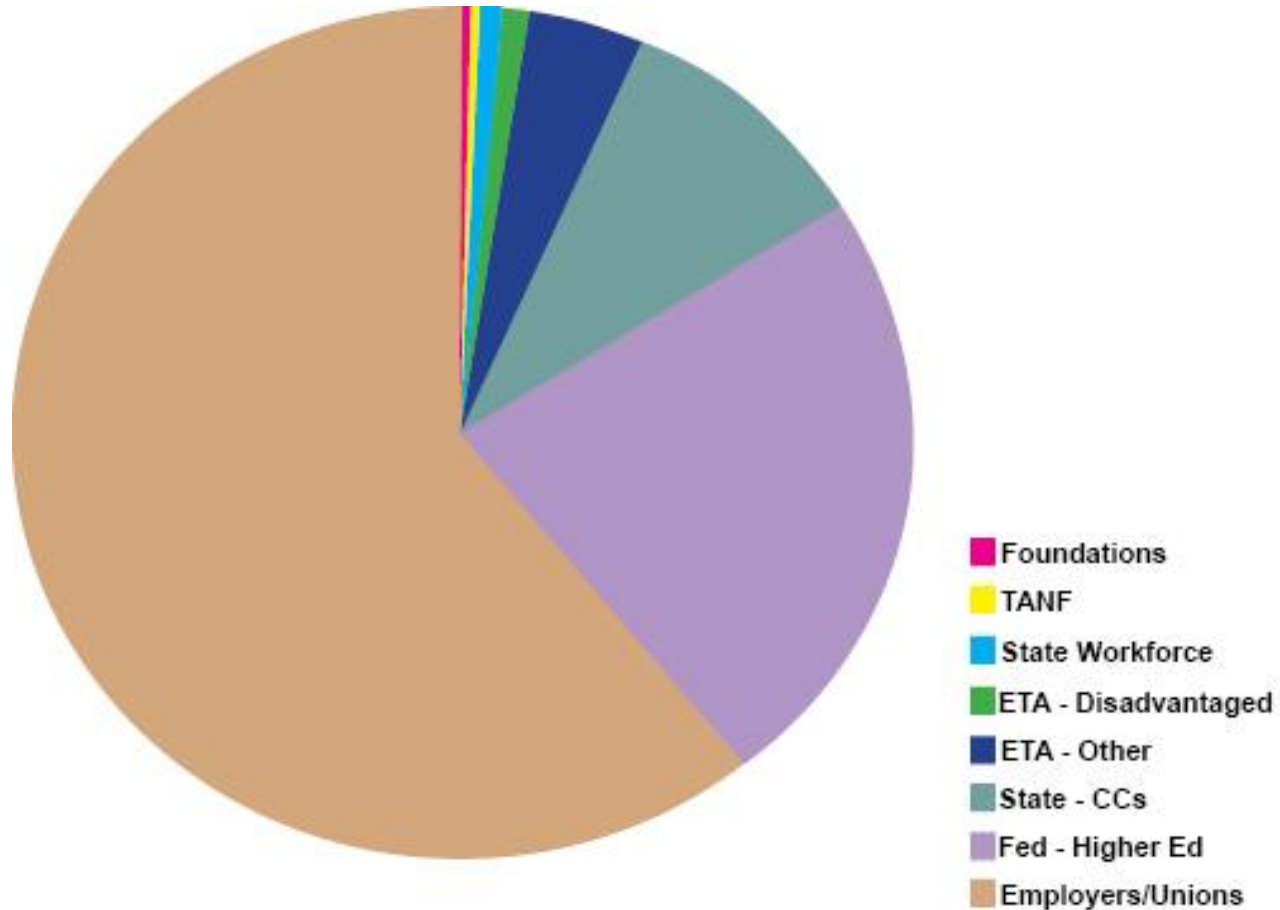
Lack of Funds is a Key Barrier

Tuition and fees between 1997 and 2007 increased annually

- 5.6 percent at private four-year colleges and universities
- 7.1 percent public four-year colleges and universities
- 4.2 percent at public two-year colleges

College Board. 2007. *Trends in college pricing*. Trends in higher education series.

Who Pays for Adult Learning?



Informal Analysis by Ford Foundation 2003

What are LiLAs?

Lifelong Learning Accounts (LiLAs):
Employer-matched, portable,
individual accounts to finance
employee education and training

Key Characteristics of LiLAs

- Sponsored by Employer
- Employer Matched
- Optional 3rd Party Matches
- Portable (Employee Owned)
- Universal
- Voluntary Participation
- Broad Use of Funds
- Career & Education Advising

Initial LiLA Demonstration Sites

CAEL Demonstration (late 2001 – summer 2007)

- Chicago - restaurant industry; 127 employees
- Northeast Indiana - 79 manufacturing employees; 76 public sector employees
- San Francisco – healthcare; 77 employees
- 37 employers; 65% have fewer than 110 employees

Appeal to Employers...

- Potential increased recruitment and retention of employees
- Affordable addition to existing benefit package
- Career & education advising for frontline staff
- Setting a cap on monthly and total annual LiLA contributions
- Being part of national initiative to increase access to education

Preliminary Outcomes

Co-investment strategy works

- As of September 2006, leveraged **\$219,404** from workers and **\$200,512** from employers.
- Worker contribution matched 1:1 by employers up to \$500. Project matched total contributions.
- Average monthly contribution of LiLA participants (excluding those who dropped out) = **\$33.82**

Preliminary Outcomes

Participants valued advising services

- **97%** of participants report that they found their CAEL advisor to be helpful
- **30-40%** of participants willing to pay for advising out-of-pocket

Preliminary Outcomes

LiLAs can provide a significant incentive to pursue education and training

- Approximately **half (44 to 58%**, depending on the sector) of LiLA participants had not been planning to enroll in education or training before the start of the LiLA program
- **84%** of participants who made regular or significant contributions to their LiLAs used their LiLA for at least one class.
- Across all sites, the average LiLA expenditure per participant was **\$2,003**.

Preliminary Outcomes

High level of program satisfaction

- 88 to 90% of participants were “satisfied” or “very satisfied.”
- 87% reported that they would continue participation even if the program included only employer match funds.
- 90% of responding employers reported that they were “very” or “somewhat” satisfied.

LiLA Initiatives Moving Forward

- **State and Regional**
 - ▷ State-based program (Maine and Washington)
 - ▷ Mature Worker pilot (San Francisco)
 - ▷ Legislative initiatives
 - Illinois
 - Bills introduced in HI, IA, MN
 - ▷ WIRED – US Department of Labor
 - Coastal Maine
 - Kansas City region
 - ▷ Planning grants for NYC, MI and PA LiLA initiatives

Federal LiLA Bills



- ▶ National Lifelong Learning Accounts Act of 2008 (HR 6036)
- ▶ National Lifelong Learning Accounts Act of 2007 (S.26)
- ▶ Lifelong Learning Accounts Act of 2007 (H.R. 2901)

Features of HR 6036

- ▷ Individuals and employers may contribute a total of \$2,500 per year into a Lifelong Learning Account.
- ▷ As much as \$750 of that could be refunded through a tax credit (50% of the first \$500 contribution and 25% of the next \$2,000).
- ▷ Principal and earnings in the accounts can grow tax-free, and will be taxed as ordinary income when they are withdrawn. (A 10% penalty for unqualified expenses would be waived at age 71.)
- ▷ Employers would receive a tax credit for 25% of their contribution to the accounts.
- ▷ Small employers could get a tax credit of up to \$500 per year to cover administrative start-up costs.

Features of S 26 and HR 2901

- Amend the IRC to establish a LiLA demonstration program for up to 200,000 workers in up to 10 states
- Participating states selected in a competitive process
- Tax credit equal to the amount contributed into a LiLA up to \$500 per tax year (*refundable* credit and additional deduction for individuals in the House bill)
- Distributions excluded from gross income Targets tax incentives to lower and middle-income earners
- Employer option to match workers' contributions; tax credits of up to \$500/tax year

LiLA Participants say...



“It's like the whole world is right in front of me. [LiLAs] is one of the single-most life-changing things that's ever been presented to me.”

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